

**Remarks of
Carol Hallett, President & CEO
Air Transport Association
at the
FAA 25th Annual Forecast Conference
Panel: *Challenges for the New Millennium*
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Yesterday, we heard forecasts for a long-term 4.6 percent growth in the demand for air travel – a forecast that is supported by a strong economy, in which the U.S. airline industry continues to play a vital role.

This forecast for strong growth in demand for air travel -- while achievable -- is based on a number of assumptions, including a continued drop in real airline prices.

However, prices can drop only if airlines are able to improve productivity and reduce operating costs.

The challenge for carriers will be to maintain the balance they have worked so hard to achieve since deregulation: To continue to hold prices down, while providing customers a product-of-value and stockholders a reasonable return on their investment.

This challenge will become increasingly difficult, unless we secure necessary improvements in three critical areas:

- Modernization of the ATC system
- Expansion of capacity in our airport system, and
- Optimization of aviation public-policy decisionmaking

Primary to any discussion of increased productivity and reduced costs is the immediate need to modernize our ATC system. Working in conjunction with the FAA, ATA and the airline industry, as you know, are developing short-term fixes like the *Spring 2000* program. Spring 2000 will improve the way aircraft are handled in severe weather conditions.

In the longer term, Free Flight Phase One holds great promise for reducing fuel consumption and emissions, and is a bright spot in ATC modernization. But long-term system-wide improvements remain a challenge in this new century.

Can the system be fixed?

Of course it can. But to do so requires a stable predictable funding mechanism for the FAA. With enactment expected today of the FAA Reauthorization Bill, we will have taken the first step toward consistent funding and protection of the integrity of the Aviation Trust Fund over the next 3 years.

This will facilitate the proper management of the national airspace by enabling government to build a system that will safely handle demand, relieve congestion and significantly reduce costly delays.

And, make no mistake; delays are costly. The cost of delays, to our customers and to the airlines themselves, was more than \$5 billion in 1999. And, escalating fuel prices are raising that number dramatically.

A year ago, fuel prices were at 45 cents a gallon; currently they are over 75 cents. With every one-cent increase in the price of fuel costing nearly \$200 million annually, airlines cannot afford to waste fuel on delays.

Now -- on a second front -- as we move toward modernization of the ATC system, we must also expand capacity and improve efficiency in our system of airports. Here again, the AIP funding in the FAA Reauthorization Bill is critical for adequate airport development.

Airlines are willing, and have demonstrated a commitment, to fund those projects that improve efficiency and relieve congestion. The traditional funding mechanisms of revenue bonds, landing fees, terminal rents and AIP, have served us well in the past. We know this system works and that's why we saw no justification for a major tax increase in the form of an increased PFC. Now that we have a new PFC, however, we need to be sure it is spent on airport capacity.

The final challenges we must navigate are the safety issues and environmental concerns that lie ahead. To best meet these challenges, we need to get smarter about how we regulate and manage.

A new paradigm for aviation policymaking is long overdue. We must have a process that prioritizes and optimizes our use of economic and human resources to resolve safety issues. At the same time, we must be sure that noise and emissions policies are coherent, consistent, realistic, and again, that they optimize the use of limited economic resources. Every new regulation adds additional costs to the price of air travel. We must be certain that when costs are added, we are doing so in a way that will pay the biggest safety or environmental benefit.

As we enter this new millennium, the challenges and opportunities before us are enormous.

Innovations like electronic ticketing, and virtual travel agents are still in their infancy. The evolving role of regional jets and international alliances will present new challenges and opportunities as well.

Technological advancements in both operations and onboard service will provide tomorrow's traveler with instant communication and limitless choice of service -- whether they are traveling around the country or around the world.

But, tomorrow's passengers will still be seeking safe, reliable, convenient, on-time, affordable service -- service that depends on the efficient movement of traffic and a regulatory environment that enables airlines to invest in efficient, safe and environmentally friendly aircraft.

The only way that airlines can continue to provide their customers with a product of value and their stockholders with a reasonable return on their investment is, as I said, through modernization of the ATC system, expansion of capacity in our airport system and finally, through optimization of aviation public-policy decision-making.

Thank you.